AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 123
OFFERED BY MR. GREEN OF TEXAS

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Alternative Data for Additional Credit FHA Pilot Program Reauthorization Act”.

SEC. 2. PILOT PROGRAM FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.

Section 258 of the National Housing Act (12 U.S.C. 1715z–24) is amended—

(1) in subsection (a)—

(A) by striking “carry out” and inserting “establish and carry out”;

(B) by striking “establish, and”;

(C) by inserting “who elect to participate in the pilot program” before the second comma;

(D) by striking “mortgagors and”;

(E) by inserting after “their creditworthiness” the following: “and have opted into the use of additional credit information”; and
(F) by striking “alternative” each place such term appears and inserting “additional”;

(2) in subsection (b), by adding after the period at the end the following: “The pilot program may not be carried out with respect to any mortgagor or prospective mortgagor under a mortgage the proceeds of which are used to prepay or pay off an existing loan secured by the same property.”;

(3) by striking subsection (e);

(4) by redesignating subsections (b) (as amended by paragraph (2) of this subsection) and (d) as subsections (c) and (k), respectively;

(5) by inserting after subsection (a) the following new subsection:

“(b) GOAL.—The goal of the pilot program under this section shall be to examine and evaluate the benefits of using such a credit scoring model that uses additional data.”;

(6) by inserting after subsection (e) (as so redesignated by paragraph (4) of this subsection) the following:

“(d) ADDITIONAL CREDIT INFORMATION.—The Secretary shall, after consultation with the Government National Mortgage Association and not later than one year after the date of the enactment of this subsection, select
one or more commercially available credit scoring models that will be available under the pilot and that utilize additional data, as the Secretary considers appropriate based on the goals of the pilot program. In selecting the model or models to use, the Secretary shall consider the criteria under part 1254 of the regulations of the Director of the Federal Housing Finance Agency (12 C.F.R. Part 1254) to the extent appropriate.

“(e) Notification.—

“(1) Notice of options.—The Secretary shall develop a notice for prospective mortgagors, and require mortgagees to provide such notice to prospective mortgagors, that informs prospective mortgagors of—

“(A) the ability to opt into the use of the credit scoring model selected for use under the pilot program;

“(B) information on how the pilot program credit scoring model differs from the FHA’s current credit scoring models, including the types of additional data that are included in the pilot program model; and

“(C) housing counseling agencies in the area that are approved by the Department of Housing and Urban Development.
“(2) COMPARISON OF LENDING OPTIONS.—The Secretary shall require mortgagees participating in the pilot program to provide information to prospective mortgagors sufficient to allow comparison of the mortgagor’s lending options using the credit scoring model under the pilot program and using the credit scoring model then in effect for mortgagors not opting into the use of the credit scoring model under the pilot program.

“(f) UNDERWRITING OPTIONS.—This section may not be construed to preclude a prospective mortgagor who opts to use an approved credit scoring model under the pilot program under this subsection in connection with underwriting for a mortgage insured under this title from thereafter obtaining a determination of creditworthiness involved in underwriting for such mortgage using information other than that provided under such approved credit scoring model.

“(g) PROTECTION OF PROPRIETARY INFORMATION.—This section may not be construed to require the disclosure or sharing of any proprietary information.

“(h) REPORTING.—

“(1) IN GENERAL.—The Secretary shall submit reports to the Congress in accordance with paragraph (2) that provide a detailed evaluation of the
effectiveness of the pilot, including data that shows—

“(A) the number of mortgagors who had the option to opt into using additional credit information and the number of mortgagors who opted into using additional credit information;

“(B) the total number and percent of mortgagors who opted into the pilot and were subsequently approved for a mortgage;

“(C) demographic information about mortgagors who opt into using additional credit information, compared to demographic information about mortgagors generally, which shall include race, ethnicity, marital status, sex or gender, geographic location regarding mortgaged properties, and any other information the Secretary deems appropriate;

“(D) whether or not mortgagors with no or thin credit files benefitted from having this option and how;

“(E) whether or not other borrowers who did not have thin or no credit files benefitted from this option and how;
“(F) the effectiveness of the additional credit information in predicting mortgage loan default;

“(G) the rate of participation of mortgagors in the pilot program; and

“(H) any other information the Secretary determines relevant.

“(2) SUBMISSION.—The Secretary shall submit a report described in paragraph (1)—

“(A) not later than 6 months after the conclusion of the 2-year period beginning on the date on which the Secretary begins accepting the additional credit scores through the pilot program established by the Secretary pursuant to this section; and

“(B) not later than 1 year after the conclusion of the 5-year period beginning on the date of the enactment of the Alternative Data for Additional Credit FHA Pilot Program Reauthorization Act.

“(3) REPORT ON SELECTION OF ADDITIONAL CREDIT MODEL.—Not later than the conclusion of the 6-month period that begins upon the conclusion of the one-year period under subsection (d), the Secretary shall submit to the Congress a report explain-
ing why the additional credit scoring model or models selected pursuant to subsection (d) were selected in lieu of other commercially available credit scoring models.

“(4) PUBLIC AVAILABILITY OF INFORMATION.—
The Secretary shall make publicly available in an easily accessible location on the website of the Department—

“(A) each report submitted to the Congress pursuant to this subsection; and

“(B) information about the pilot program, which shall include an up-to-date listing of mortgagees participating in the pilot program.

“(i) AUTHORITY TO LIMIT PARTICIPATION.—The Secretary may establish a limitation to cap participation in the pilot program under this section.

“(j) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated—

“(1) $3,000,000 for fiscal year 2020 for establishing and carrying out the pilot program under this section; and

“(2) $1,500,000 for each of fiscal years 2021 through 2024 for carrying out the pilot program under this section.”; and
(7) in subsection (k), as so redesignated by paragraph (4), by striking “5-year period beginning on the date of the enactment of the Building American Homeownership Act of 2008” and inserting “5-year period beginning on the date of the enactment of the Alternative Data for Additional Credit FHA Pilot Program Reauthorization Act”.

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